



Office of Systems Integration

# Office of Systems Integration: Large Project Management

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## Executive Summary

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California is a large state. It has nearly 38 million citizens, with a state government that employs 200,000 people. The annual California state budget allocates over \$100 billion. The size and complexity of California state government means that enterprise IT initiatives that solve business problems are often also large and complex. Prior to the establishment of the Office of Systems Integration in 2005, California had no standard, repeatable approach to managing large IT initiatives. This increased the risk of failure for the biggest, most expensive, and most critical IT projects.

The Office of Systems Integration (OSI) was established to manage a portfolio of large, complex health and human services information technology projects. The OSI provides project management, oversight, procurement and support services for this \$5.5 billion portfolio. Often times this includes managing projects that stretch across three levels of government, affect millions of people, included multiple state agencies and departments, and use multiple vendors.

In order to effectively manage these complex types of projects, OSI must communicate, collaborate, and make decisions among a vast and complex number of stakeholders. OSI developed a Best Practices framework to provide the basis for a structured methodology using standard and repeatable processes throughout a project's life cycle. To help implement these repeatable and sustainable practices, OSI tailored management approaches designed to meet the continuum of client's needs. To continue to meet the ever-changing best practices of enterprise IT management, OSI documents lessons learned based on actual experiences in the OSI portfolio. This improves how government manages enterprise IT initiatives. These operational improvements fall within seven key functional areas: strategic planning and alignment, administrative operations, procurement, information technology operations/infrastructure, project management policies and standards, enterprise architecture, and information security.

The way OSI disseminates project management protocol is through a best practices web site. A Gartner, Inc. review found that no other website aimed at managing enterprise IT initiatives was as complete and thorough as OSI's. It is truly an innovative use of an existing technology.

Through OSI's implementation of its enterprise IT project management initiatives stakeholders has reaped numerous benefits. First, there is now a professional and structured way that California manages its largest IT projects. This expertise improves how government implements critical IT initiatives and decreases the risk of project failure.

In addition to the improvement of government operations, the OSI solution also: is transferable to other organizations, uses the documentation of "lessons learned" to keep its best practices dynamic and evolving, and effectively manages enterprise IT initiatives leading to immense financial benefits.

## Description

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California state government is a large operation. With more than 200,000 employees serving 38 million people, technology solutions to department problems are likely to be big, complex, and expensive. This is a fact of life for IT departments in California state government, and finding ways to mitigate the risks that come along with managing big, complex projects is a necessity. The failure of a large project has a number of negative effects: a failed IT project means a business need is not being met, the resources and time that were invested in the project are now lost, and new IT projects are harder to initiate when there is a history of failure.

California has first-hand experience with the consequences of not having a professional project management capacity for large complex projects. Large complex projects – meaning projects costing more than \$100 million and involving multiple stakeholders – are not simply bigger versions of small or medium sized projects. Their size introduces a whole set of problems that do not exist in their smaller, less complex counterparts, increasing the risk and rate of failure. California lacked a structured, standardized approach to managing projects; recognizing this as a problem, in 2005, the state acted to create the Office of Systems Integration (OSI).

### Barriers, Challenges, and Assessment

The major barrier facing the OSI is that the projects it manages are all uniquely complex. On a single project, several state departments may be the implementing agents, and they may receive oversight from multiple federal agencies or State of California control agencies. The end-users of that same project could be the 58 individual county Health and Human Services agencies, with the ultimate beneficiaries being millions of California's citizens. On some projects, counties form consortiums and separate Joint Powers Authorities that govern county participation in the projects, adding another level of oversight and another stakeholder. And, of course, a project may also include multiple vendors. OSI's challenge is to find repeatable and sustainable ways to manage enterprise-wide projects that transverse three levels of government, affect millions of people, and are often technically complex.

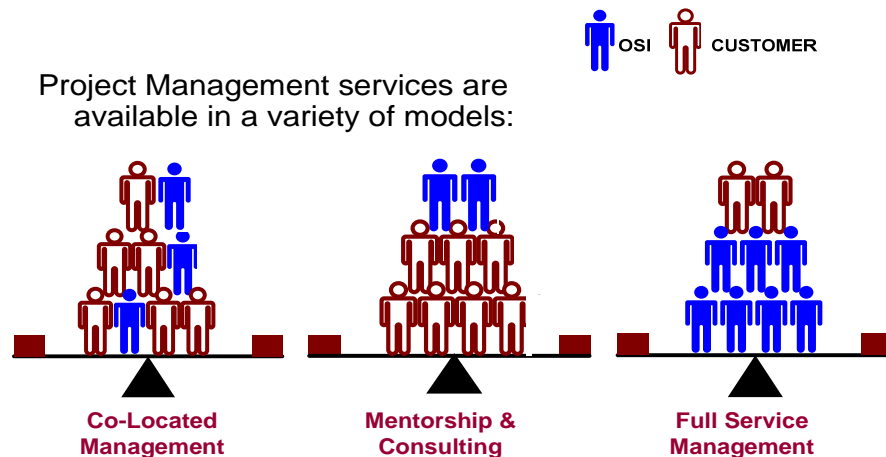
After OSI's inception, the State Legislature commissioned a study to assess the viability of the OSI model and determine if it met the criteria of using repeatable and sustainable methods to manage the most unruly of IT projects. The criteria used to analyze the OSI model were: risk of project failure, strategic alignment of the OSI project management model with program and policy direction, cost, and quality/benefits. The study was completed by Gartner, Inc., and the independent review found the OSI business model was the optimal solution to support a portfolio of complex technology projects that were enterprise-wide in scope.

### Description of the OSI Solution

OSI developed a Best Practices framework to provide the basis for a structured methodology using standard and repeatable processes throughout a project's life cycle. To help implement these repeatable and sustainable practices, OSI tailored management approaches designed to meet the continuum of client's needs (*see figure below*). To continue to meet the ever-changing best practices of enterprise IT management, OSI documents lessons learned based on actual experiences in the OSI portfolio to improve how government manages enterprise IT initiatives. These operational improvements fall within seven key functional areas: strategic planning and

alignment, administrative operations, procurement, information technology operations/infrastructure, project management policies and standards, enterprise architecture, and information security.

## Our Approach to Project Management



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### Project Management

The OSI uses the Internet as a means of providing its best practices tools and templates in a readily accessible and documented form. This method of promoting OSI's best practices uses Web-based distribution which provides OSI with the ability to make its best practices, policies and procedures, and template documents available in an up-to-date and easily usable form for all parties on the project management team. This Web site, <http://www.bestpractices.cahwnet.gov/>, is a resource currently used by all OSI project managers, departments within the California Health & Human Services Agency, and clients from other state departments, agencies, and local governments.

One example of how OSI continues to adapt and incorporate best practices is the recent centralization of several key functions. The offices leading these functions capture lessons learned from individual projects and combine them with the latest industry standards updating OSI's best practices and ensuring that the best practices are efficiently and effectively implemented across OSI's portfolio. On behalf of OSI, Gartner, Inc. conducted a survey to find other Enterprise IT Management sites – either in California or across other states – that provide policies, compliance guidelines, and supporting documents in the scope that OSI does; they did not find a single one. The Web-based project management portfolio was unique – a truly innovative use of an existing technology.

### Promote Awareness and Adoption

As OSI has matured, it has begun to act as a resource to others. OSI has provided advisory and consultative services to other departments and also has begun offering its best practices, models, and templates to other departments for managing their own projects. OSI has presented its model at local Government CIO conferences, to the private sector, and at various technology forums in California. Recently, OSI has begun hosting focused educational sessions on the

contracting and procurement aspects of large technology projects for other state government CIO's. These events and presentations are indications of OSI's transferability to other entities.

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### Significance

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The significance of OSI's creation is that there is now an organization dedicated specifically to managing of the most critical IT initiatives in California. With a portfolio worth \$5.5 billion, OSI gives accountability and expertise in a predictable manner, which is a virtue when it comes to managing large IT projects.

In addition to developing standardized project management approaches that exhibit best practices, OSI also aligns its project management approach and service delivery with statewide IT strategies and policies. Focusing on the strict alignment to statewide IT policies and strategies has enabled OSI to provide valuable, practical and experience-based information about enterprise-wide technology initiatives and policies.

OSI not only improves government operations in terms of how IT projects are managed, but those now-successful IT projects improve government operations in a number of fields. Some examples include:

- **Electronic Benefit Transfer (EBT) Contract Extension and Price Reduction** - The OSI contracts with a service provider for statewide EBT services. The original contract was schedule to end in 2008 with two one-year extensions available at the state's option. OSI determined that it could not successfully conduct a re-procurement, execute the new contract, and complete implementation activities by the time the original contract ended. OSI engaged in negotiations with the vendor in which OSI offered to exercise the two option years in exchange for price reductions during the remainder of the original term, plus the two option years. This negotiation reduced the rate the EBT program was being charged and gave the EBT program flexibility by allowing them to terminate the contract if re-procurement was finished early. Furthermore, the negotiation did not reduce the Service Level Agreement.
- **Unemployment Insurance Modernization (UIMOD) Project** - As part of the project to modernize the processing of Unemployment Insurance claims, OSI successfully leveraged the recently awarded CalNet II contract to acquire call center services. CalNet II is a state leveraged procurement vehicle for telecomm and datacomm services. It was procured at a statewide level, and two vendors were awarded the contract. Under the contract, the winning vendors offered the state their best prices for a variety of telecomm services. The idea is that state agencies can simply purchase those services through CalNet II at the already awarded price without having to go through a separate RFP process. OSI leveraged even better pricing under CalNet II by using a competitive process between the two CalNet II providers for the acquisition of services for the Unemployment Insurance Claims Call Centers. OSI incorporated lessons learned from other procurements – which was one of the goals of the OSI design – to leverage additional value from the CalNet II procurement vehicle.

- Case Management Information and Payroll System (CMIPS) II** – CMIPS is the system that supports case management and payroll functions for the 58 California counties for the In Home Supportive Services Program. The existing system has been in place for more than 29 years and is antiquated, expensive, and built on proprietary technology. Consequently, the state has had trouble successfully completing a competitive procurement for the ongoing maintenance of the system and has had to continuously sole-source these services to the incumbent vendor. OSI recently completed competitive procurement for replacement of the CMIPS system. As part of the bid evaluation process – and prior to awarding the contract – OSI conducted an independent cost assessment of the winning bidder’s proposal. This independent assessment indicated to us some areas where the bidder may have some pricing flexibility. Working with the Department of General Services, OSI leveraged this information in negotiations with the bidder. Through successful negotiations, the team successfully negotiated price reductions without reduction in scope or functionality of the new CMIPS system.

### Public Benefit of OSI

OSI’s primary benefit is that it meets the anticipated benefits of centralizing expertise and best practices for managing the largest, most complex, and most critical enterprise IT initiatives. This improves the implementation of these projects – bettering government operations and realizing cost-saving opportunities. The table below offers a glimpse into the financial benefits OSI’s professional expertise has found in the enterprise-scope IT projects they manage.

Projects	Financial Benefit
Electronic Benefit Transfer (EBT) Contract Extension and Price Reduction	<b>\$38.5 million</b> by negotiating a rate reduction over the two-year extension of the contract
Procurement of New EBT Services	OSI’s competitive bid process gives cost avoidance to the federal government, the State of California, and the counties approximately <b>\$21.6 million annually</b>
Child Welfare System/Case Management System (CWS/CMS) Re-host	OSI transferred the hosting of a database from the vendor to the state for an estimated cost savings of <b>\$45 million</b>
Unemployment Insurance Modernization (UIMOD) Project	Using a competitive process within CalNet II, OSI was able to leverage additional cost savings of <b>\$26 million through 21 months</b> less than standard CalNet II pricing
Case Management Information and Payroll System (CMIPS) II	<b>\$34 million</b> without reduction in scope or functionality of the new CMIPS system, by leveraging an OSI independent assessment of price flexibility in the winning bid
Interim State Automated Welfare System (ISAWS) (Hardware - End of Life Risk Mitigation)	OSI managed <b>\$3 million</b> in contract cost reduction, while ensuring operational viability

**Policy, Strategy, and Goal Alignment**

Besides improvements in governmental operations through the successful stewardship of large IT projects, OSI has also improved how government manages important projects. Rather than treating the portfolio of projects as a loose confederation of free standing project, OSI applies a structured methodology to managing all of its projects. This structured method uses standardized and repeatable processes throughout the planning, design, development, implementation, and operations phases of each project. Because each project is unique, OSI implements these standard procedures with a variety of management models. This ensures that OSI applies its standards in a way that fits the customer's needs.

**Best Practices are Always Evolving**

OSI ensures that our best practices do not become out-dated. A residual effect of a successful project is that it adds to the experience and knowledge base of OSI staff. That additional knowledge is documented formally at OSI. Every project is a new opportunity to find how the OSI project management principles can apply to a specific project. Taking advantage of these opportunities is an innovative, necessary, and beneficial aspect of OSI's operations.

**Transferring OSI's Model and Experiences**

Because OSI's model emphasizes fitting proven practices on unique problems, its business practices can be transferred to other California state agencies. Also, OSI's extensive use of the Internet to communicate its standards and procedures makes transferring its processes even easier. To date, numerous other states have asked for access to OSI's [best practices website](#).